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No. 93-553

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

TRANDES CORPORATION,

Petitioner,

v.

GUY F. ATKINSON COMPANY,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court of Appeals For The Fourth Circuit

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BRIEF FOR RESPONDENT IN OPPOSITION

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BRIEF FOR RESPONDENT IN OPPOSITION

Guy F. Atkinson Company ("Atkinson")[1] submits that the true facts and procedural history of this case, as well as the applicable law, demonstrate that the petition for a writ of certiorari should be denied.

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[1] Respondent is a wholly-owned subsidiary of Guy F. Atkinson Company of California, a publicly-held company.

STATEMENT

Petitioner sued Atkinson in diversity, alleging a violation of the Maryland Uniform Trade Secrets Act ("MUTSA"), MD Code CL §11-1201, *et seq.*, Pet. App. 38a-42a, and the case was pled, tried and submitted to the jury as a MUTSA case. Punitive damages under the MUTSA are capped at twice the award of compensatory damages, MD Code CL §11-1203(d), Pet. App. 40a-41a, and petitioner's complaint requested punitive damages in accord with this statutory mandate. The district court instructed the jury that it could award punitive damages in its discretion, and did not disclose the existence of the cap or the amount of damages sought by petitioner. The jury found that Atkinson had misappropriated petitioner's trade secret and returned a verdict of $17,400 compensatory and $750,000 punitive damages. Thereafter, Atkinson filed a motion for judgment arguing, *inter alia*, that any punitive damages judgment must conform to the MUTSA cap. Contrary to petitioner, Pet. 3-4, Atkinson's motion did not object to the court's punitive damages instruction.

In denying Atkinson's motion, the district court found (i) that under Fed. R. Civ. P. 51, Atkinson's failure to object to the punitive damages instruction precluded it from raising the issue after verdict, and (ii) that the MUTSA and its punitive damages cap did not govern in any event, because the misappropriation had commenced prior to the effective date of the MUTSA. Pet. App. 31a-35a. On Atkinson's appeal to the United States Court of Appeals for the Fourth Circuit, petitioner argued that both findings by the district court were correct. In response, Atkinson made clear that it was not objecting to the submission of the punitive damages to the jury or to the court's exercise of its discretion not to advise the jury about the statutory cap, but

rather was arguing that any punitive damages judgment must conform to the MUTSA cap.

The court of appeals affirmed the judgment in favor of punitive damages, but reversed as to amount because (i) the evidence did not support the district court's finding that the misappropriation had predated the effective date of the MUTSA, and (ii) the MUTSA cap on punitive damages, therefore, applied. Pet. App. 21a-24a. Petitioner sought rehearing and set forth its arguments that the court of appeals (i) may have overlooked certain facts in reversing the district court's pre-MUTSA misappropriation finding and (ii) may have overlooked a point of law since its opinion allegedly had not addressed petitioner's Rule 51 argument. The court of appeals denied rehearing. Pet. App. 37a.

ARGUMENT

The Court Of Appeals Addressed All Arguments Before It. Petitioner's claim that the court of appeals erred by failing to address an independent ground relied on by the district court is baseless. In fact, the court of appeals addressed all grounds relied upon by the district court, as well as all arguments advanced by petitioner in support of affirmance. Specifically, the court of appeals affirmed the judgment in favor of punitive damages, but reversed the district court's erroneous finding that the MUTSA and its punitive damages cap were not applicable.[2] In any

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[2] *See* 996 F.2d at 666, Pet. App. 21a, addressing the "independent ground" portion of the district court's opinion holding that Atkinson was required, but failed, to object to the submission of the punitive damages issue to the jury. (In truth, Atkinson never contested the submission; it only argued that the jury verdict was advisory since the MUTSA says that "the court may" award exemplary damages.)

event, Petitioner concedes later in its petition that the court of appeals did address the submission issue. Pet. 10 ("[T]he Fourth Circuit correctly noted that its holding in *Hugo's Skateway* required that the issue of punitive damages be given to the jury."). It follows that, if the court of appeals found that submitting the punitive damages issue to a binding jury verdict was not error,[3] it is of no consequence on appeal whether Atkinson timely objected to that non-error.

Petitioner Is Raising Its "Important Federal Question" For The First Time In This Court. Petitioner now claims that the district court's failure to inform the jury about the MUTSA cap could be an error of constitutional proportions, which the court of appeals ignored, thereby depriving petitioner of a "fair opportunity" to petition for certiorari. Pet. 6-7. Petitioner suggests that whether the seventh amendment requires that federal jury instructions incorporate state statutory caps is an important, unresolved federal question. Yet, petitioner made no objection at trial to the district court's failure to mention the MUTSA cap in its instruction. If petitioner's own earnest arguments about Rule 51 are to be credited, it cannot object to this "erroneous" instruction after verdict, as indeed it did not in the district court or in the court of appeals. Nor did petitioner make any claim in either court respecting an alleged seventh amendment requirement that federal juries be informed about state law punitive damages caps. It follows that petitioner cannot raise these issues in this Court under the guise of invoking the Court's supervisory powers.

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[3] *But see Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 542 (Fed. Cir. 1990) (where statute says "the court may" award exemplary damages, jury verdict finding of willful infringement is advisory only), *cert. denied*, 111 S.Ct. 2017 (1991).

The Punitive Damages Instruction Was Not Erroneous. Even if petitioner had properly preserved its argument, it could not prevail. Petitioner contends that the MUTSA cap is a post-verdict criterion that was required to be incorporated into the jury instructions. Pet. 10.[4] Yet, this concession itself dooms petitioner's own argument, since the proper post-verdict application of that criterion in this case renders any instruction omission immaterial. *See Wackenhut Applied Technologies v. Sygnetron*, 979 F.2d 980, 985 (4th Cir. 1992) (statutory cap is proper and necessary post-verdict review criterion to insulate punitive damages award against constitutional attack based on unbridled jury discretion) (*citing Hugo's Skateway*, 974 F.2d at 1415 n. 6); *Boyd v. Bulala*, 905 F.2d 764, 768 (4th Cir. 1990) (per curiam) (where jury's award exceeded a $750,000 compensatory statutory cap by $2 million, there is no need for new trial to fix jury instruction that allowed jury to consider loss of enjoyment of life, given remoteness of possibility that jury would not again award an amount greater than $750,000).

In any event, as petitioner concedes, there is no authority for the proposition that the seventh amendment compels instruction on a statutory cap. Indeed, the pertinent authority is contrary, because there is nothing "factual" about the application of a legislative mandate. Moreover, petitioner omits mention of pertinent Fourth Circuit authority, *Boyd v. Bulala*, 877

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[4] Petitioner relies on *Defender Industries v. Northwestern Mutual Life Ins. Co.*, 938 F.2d 502 (4th Cir. 1991) (federal court juries must set amount of punitive damages), and *Johnson v. Hugo's Skateway*, 974 F.2d 1408 (4th Cir. 1992) (because jury is sole fact finder in federal court, any post-verdict criteria imposed by state law and applied in state court, but not permitted to be applied in federal court post trial, must be incorporated in jury instructions).

F.2d 1191 (4th Cir. 1989), where the issue was whether compensatory and punitive damages verdicts in excess of the $750,000 Virginia statutory cap on medical malpractice damages should be limited to $750,000. The Fourth Circuit held that the seventh amendment does not bar post-trial applications of statutory caps:

> [I]t is not the role of the jury to determine the legal consequences of its factual findings. That is a matter for the legislature, and here, the Virginia legislature has decided that as matter of law damages in excess of $750,000 are not relevant. In so doing it has not violated the seventh amendment . . . . [O]nce the jury has made its findings of fact with respect to damages, it has fulfilled its constitutional function; it may not also mandate compensation as a matter of law.

Id. at 1196 (citations omitted). *See also Locas v. United States*, 807 F.2d 414, 418 (5th Cir. 1986) ("the applicability of the Texas statutory cap on malpractice damages is purely a legal issue which can be resolved without the need for factual proof."); *Davis v. Omitowoju*, 883 F.2d 1155 (3d Cir. 1989) ("a district court can correct or modify an unfettered verdict so as to comply with the [Virgin Island's statutory cap on noneconomic damages].").

Similarly, the district court had no obligation to inform the jury about petitioner's *ad damnum* clause, which specifically requested punitive damages in accordance with the MUTSA cap. *See Williams v. Nichols*, 266 F.2d 389, 394 (4th Cir. 1959) (Paul, J. concurring) ("There is no sound reason why the jury should be informed, either by counsel or the Court, of the damages named in the complaint[.]"). The prevailing view is that giving such information to the jury is

a matter within the trial court's discretion, but should be avoided as it tends to leave the impression that the maximum amount is the proper award. *See* Annotation, Instruction Mentioning or Suggesting Specific Sum as Damages in Action for Personal Injury or Death, 2 A.L.R.2d 454 (1948 & 1993 Supp.); *see also Allred v. Maersk Line, Ltd.*, 826 F. Supp. 965, 971 (E.D. Va. 1993) ("the Court has doubts about the wisdom of permitting any mention of the amount of damages sought[.]").

The Court Of Appeals Reached The Correct Result. Based on its false and tardy premise that the punitive damages instruction was erroneous, petitioner argues that there is no "plain error" doctrine allowing that error to be corrected, and that if there were, such doctrine should not apply. Implicit in this argument is the faulty assumption that the lack of a cap instruction is the "law of the case" and can, therefore, void the legislative mandate. Petitioner's contention lacks merit. Atkinson moved for judgment after verdict arguing, *inter alia*, that any punitive damages judgment must conform to the MUTSA cap. *See City of St. Louis v. Praprotnik*, 485 U.S. 112, 120 (1988) ("[T]he failure to object to an instruction does not render the instruction 'law of the case' for purposes of appellate review of the denial of a directed verdict or judgment notwithstanding the verdict."). Here, the court of appeals reviewed the applicability of the MUTSA, and reversed the district court's refusal to apply the MUTSA and its punitive damages cap. *See Salve Regina College v. Russell*, 499 U.S. 225, 229 (1991) (courts of appeals must conduct a *de novo* review of district courts' state-law determinations). Finally, even assuming that the omission of MUTSA cap information from the jury instruction was error, petitioner cites no authority for the proposition that such an error could void post-trial application of the MUTSA cap. Indeed,

authority holds that it is fundamental error for a trial court not to apply a clear punitive damages limitation. *See Korotki v. Goughan*, 597 F. Supp. 1365, 1378 (D. Md. 1984) (plain error exception to Rule 51 applies to allow a post-trial motion to strike a punitive damages award on the basis of municipal immunity).

CONCLUSION

The petition for a writ of certiorari presents no issue of sufficient importance to warrant this Court's review and the petition should, therefore, be denied.

Respectfully submitted,

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